

SENATE BILL REPORT

SB 5302

As Reported By Senate Committee On:
Health & Long-Term Care, February 14, 2001

Title: An act relating to a tax exemption for persons under contract for services for developmentally disabled persons.

Brief Description: Providing a tax exemption for certain persons providing services for developmentally disabled persons.

Sponsors: Senators Snyder, West, Costa, Gardner and Oke.

Brief History:

Committee Activity: Health & Long-Term Care: 1/29/01, 2/14/01 [DP-WM].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Thibaudeau, Chair; Franklin, Vice Chair; Costa, Deccio, Fraser, Parlette and Winsley.

Staff: Chelsea Buchanan (786-7446)

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Deductions for the costs of doing business are not allowed.

The activity of providing non-facility based residential services to persons with developmental disabilities is taxed at the 1.5 percent services B&O rate. However, a B&O tax deduction is provided for grants given by federal, state, or local governments to nonprofit organizations or local government jurisdictions for the support of health or social welfare programs. As a result, only for-profit businesses are subject to B&O tax on amounts received from the Department of Social and Health Services for the purpose of providing non-facility based residential services to persons with developmental disabilities.

The phrase "non-facility based residential services" refers to programs wherein services are provided to a person in his or her own home.

Summary of Bill: A business and occupation tax exemption is created for the provision of non-facility based residential services to persons with developmental disabilities.

All businesses are exempt from paying B&O tax on any amounts received from the Department of Social and Health Services for the purpose of providing non-facility based residential services to persons with developmental disabilities.

Appropriation: None.

Fiscal Note: Requested on January 23, 2001.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2001.

Testimony For: This bill corrects the law and resolves an unfairness; adult family homes are not taxed as of a 1987 law, but in-home providers are. In-home clients have more needs. Responses from the Department of Revenue show a statutory change is needed to resolve the unfairness. The Department of Revenue does not aggressively pursue the tax so some providers are not currently paying. Savings from not paying taxes on the reimbursement rate would go into wages and services, because the state reimbursement rate is restricted money. The B&O tax is 1.5 percent per hour of service, and could translate to \$0.25 more per hour for wages or services. Wage increases will help battle turnover in staff.

Testimony Against: None.

Testified: Senator Costa, co-sponsor (pro); Dave Wood, Residential Services Alliance (pro); Sylvia Fuerstenberg, Community Residential Services Association (pro); Donna Patrick, Developmental Disabilities Council (pro); Mary-Margaret Cornish, Community Residential Services Association (pro).